

**REPORT OF THE AUDIT OF THE  
FORMER TRIGG COUNTY  
SHERIFF**

**For The Year Ended  
December 31, 2010**



**CRIT LUALLEN  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE FOTMER TRIGG COUNTY SHERIFF**

**For The Year Ended  
December 31, 2010**

The Auditor of Public Accounts has completed the former Trigg County Sheriff's audit for the year ended December 31, 2010. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

#### **Financial Condition:**

Excess fees increased by \$210,883 from the prior year, resulting in excess fees of \$437,953 as of December 31, 2010. Revenues decreased by \$92,349 from the prior year and expenditures decreased by \$303,232.

#### **Report Comments:**

- 2010-01 The Former Sheriff's Office Lacked Adequate Segregation Of Duties Over Receipts And The Reconciliation Process
- 2010-02 The Former Sheriff Should Remit \$599 To The Fiscal Court

#### **Deposits:**

The former Sheriff's deposits were insured and collateralized by bank securities.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Stan Humphries, Trigg County Judge/Executive  
The Honorable Randy Clark, Former Trigg County Sheriff  
The Honorable Ray Burnham, II, Trigg County Sheriff  
Members of the Trigg County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the former Sheriff of Trigg County, Kentucky, for the year ended December 31, 2010. This financial statement is the responsibility of the former Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the former Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the former Sheriff for the year ended December 31, 2010, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 3, 2011 on our consideration of the former Trigg County Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Stan Humphries, Trigg County Judge/Executive  
The Honorable Randy Clark, Former Trigg County Sheriff  
The Honorable Ray Burnham, II, Trigg County Sheriff  
Members of the Trigg County Fiscal Court

Based on the results of our audit, we have presented the accompanying comments and recommendations, included herein, which discusses the following report comments:

2010-01 The Former Sheriff's Office Lacked Adequate Segregation Of Duties Over Receipts And  
The Reconciliation Process

2010-02 The Former Sheriff Should Remit \$599 To The Fiscal Court

This report is intended solely for the information and use of the former Sheriff and Fiscal Court of Trigg County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen  
Auditor of Public Accounts

November 3, 2011



TRIGG COUNTY  
 RANDY CLARK, FORMER SHERIFF  
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Year Ended December 31, 2010

Revenues

Federal - Lake Patrol		\$	16,120
State - Kentucky Law Enforcement Foundation Program Fund (KLEFPF)			20,355
State Fees For Services:			
Sheriff Security Service			83,814
Circuit Court Clerk:			
Fines and Fees Collected			3,081
Fiscal Court			77,916
County Clerk - Delinquent Taxes			13,970
Commission On Taxes Collected			245,051
Fees Collected For Services:			
Auto Inspections	\$	5,700	
Accident and Police Reports		676	
Serving Papers		15,286	
Carrying Concealed Deadly Weapon Permits		3,131	
Sheriff's Fees		24,433	49,226
Other:			
Miscellaneous			6,238
Interest Earned			447
Total Revenues			516,218

The accompanying notes are an integral part of this financial statement.

TRIGG COUNTY  
 RANDY CLARK, FORMER SHERIFF  
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS  
 For The Year Ended December 31, 2010  
 (Continued)

Expenditures

Operating Expenditures:

Materials and Supplies-

Office Materials and Supplies

\$ 34

Other Charges-

Refunds

310

Miscellaneous

5

Total Expenditures

\$ 349

Net Revenues

515,869

Less: Statutory Maximum

76,104

Excess Fees

439,765

Less: Training Incentive Benefit

1,812

Excess Fees Due County for 2010

437,953

Payments to Fiscal Court - Monthly

437,953

Balance Due Fiscal Court at Completion of Audit

\$ 0

The accompanying notes are an integral part of this financial statement.

TRIGG COUNTY  
NOTES TO FINANCIAL STATEMENT

December 31, 2010

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2010 services
- Reimbursements for 2010 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2010

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the former Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

TRIGG COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2010  
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Fee Pooling

The Trigg County Fiscal Court approved a fee pooling system for the former Trigg County Sheriff effective July 1, 2009. Under the fee pooling system, revenues net of direct expenses of the former County Sheriff's office are paid to the Trigg County Treasurer in the subsequent month. Therefore, the county paid almost all the expenses of the former Trigg County Sheriff's office.

Note 2. Employee Retirement System

The county official and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.16 percent for the first six months and 16.93 percent for the last six months.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The former Trigg County Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the former Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

TRIGG COUNTY  
NOTES TO FINANCIAL STATEMENT  
December 31, 2010  
(Continued)

Note 3. Deposits (Continued)

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the former Sheriff's deposits may not be returned. The former Trigg County Sheriff did not have a deposit policy for custodial credit risk but rather followed the requirements of KRS 41.240(4). As of December 31, 2010, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

Note 4. Forfeiture Fund

The former Trigg County Sheriff maintained a Forfeiture Fund. The account was funded by receipts from forfeiture of money and property, and court ordered payments from individuals. The funds were used for supplies, equipment, vehicles, and drug awareness programs. The beginning balance of the account was \$1,022. During the calendar year 2010, receipts were \$175 and expenditures were \$713. The balance of the Forfeiture Fund at December 31, 2010 was \$484, which includes \$188 in prior year disallowed expenditures not yet remitted.

Note 5. Federal Forfeiture Fund

The former Trigg County Sheriff maintained a Federal Forfeiture Fund. The account was funded by receipts from forfeiture of money and property, and court ordered payments from individuals in federal cases. The funds were used for supplies, equipment, vehicles, and drug awareness programs. The beginning balance of the account was \$298. During the calendar year 2010, there were no receipts or expenditures. The balance of the Federal Forfeiture Fund at December 31, 2010 was \$298.

Note 6. Kentucky Law Enforcement Foundation Program Fund

The former Trigg County Sheriff's office participated in the Kentucky Law Enforcement Foundation Program Fund (KLEFPF). This program, administered by the Kentucky Justice Cabinet, is designed to provide adequate training to the Sheriff's deputies. During the year, the former Trigg County Sheriff's office received \$20,355 from this program.

Note 7. Lake Patrol

The former Trigg County Sheriff's office had a cooperative agreement with the US Army Corps of Engineers. This agreement, administered by the US Army Corps of Engineers, is designed to provide patrols and law enforcement services in designated patrol areas of the lakes. During the year, the former Trigg County Sheriff's office received \$16,120 from this program.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL  
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS







**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Stan Humphries, Trigg County Judge/Executive  
The Honorable Randy Clark, Former Trigg County Sheriff  
The Honorable Ray Burnham, II, Trigg County Sheriff  
Members of the Trigg County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the former Trigg County Sheriff for the year ended December 31, 2010, and have issued our report thereon dated November 3, 2011. The former Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the former Trigg County Sheriff's office is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the former Trigg County Sheriff's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the former Sheriff's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Sheriff's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying comments and recommendations, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying comments and recommendations as item 2010-01 to be a material weakness.



Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of The Financial  
Statement Performed In Accordance With Government Auditing Standards  
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the former Trigg County Sheriff's financial statement for the year ended December 31, 2010, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying comments and recommendations as item 2010-02.

This report is intended solely for the information and use of management, the former Trigg County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Crit Luallen', with a stylized, cursive script.

Crit Luallen  
Auditor of Public Accounts

November 3, 2011

## COMMENTS AND RECOMMENDATIONS



TRIGG COUNTY  
RANDY CLARK, FORMER SHERIFF  
COMMENTS AND RECOMMENDATIONS

For The Year Ended December 31, 2010

INTERNAL CONTROL - MATERIAL WEAKNESS:

2010-01 The Former Sheriff's Office Lacked Adequate Segregation Of Duties Over Receipts And The Reconciliation Process

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The Former Trigg County Sheriff's office lacked adequate segregation of duties over receipts and the reconciliation process. Due to a limited number of staff, one deputy prepared the daily checkout sheet and prepared the daily deposit; the bookkeeper made the bank deposit and posted receipts to the receipts ledger; monthly bank reconciliations were not completed.

Segregation of duties over daily checkout procedures, deposit preparation, receipts posting, and monthly bank reconciliations is essential for providing protection from asset misappropriation and/or inaccurate financial reporting. If it is not possible to segregate all functions of the accounting process the implementation of compensating controls will help limit the severity of possible asset misappropriation and/or inaccurate financial reporting. Additionally, proper segregation of duties protects employees in the normal course of performing their daily responsibilities.

To adequately protect against the misappropriation of assets, the Former Sheriff should have separated the duties of preparing the daily deposit from the preparation of the daily checkout, with the deputy preparing the daily checkout sheet accounting for the numerical sequence of issued receipts or implemented compensating controls.

*Former Sheriff Randy Clark's Response: No Response.*

2010-02 The Former Sheriff Should Remit \$599 To The Fiscal Court

During the review of prior year audit, auditor noted the former Trigg County Sheriff currently owes the Fiscal Court \$599 for calendar year 2009. The former Sheriff paid expenditures from the fee account that were not allowable expenditures or had no supporting documentation. The former Trigg County Sheriff paid \$357 for a retirement function for the former bookkeeper; \$40 was spent on expenditures that did not have any supporting documentation, and \$202 was spent on clothing that was not uniforms. These types of expenditures are not allowable based on Ky Const. S 173 and Funk v. Milliken, 317 S.W.2<sup>nd</sup> 499 (KY 1958). Since these expenditures are not allowed, the former Trigg County Sheriff is liable for the expenditures. We recommend the former Sheriff comply with the findings of the 2009 audit by paying Fiscal Court \$599 due.

*Former Sheriff Randy Clark's Response: No Response.*

